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## au Jibun Bank Japan Manufacturing PMI®

### Sustained improvement in manufacturing output in May

#### Key findings

Further expansions in output and new orders

Second successive rise in employment levels

Positive sentiment remains elevated

May 2021 data were collected 12-21 May.

Japanese manufacturing firms continued to indicate a moderate improvement in operating conditions in May. Sustained, albeit softer expansions in both production volumes and new orders contributed to overall growth in the manufacturing sector. As demand conditions continued to improve in the latest survey period, manufacturers were encouraged to take on additional staff for the second month running. Businesses also remained optimistic regarding the year ahead outlook for activity, with positive sentiment at the second-highest level in the respective Index's nine-year history.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI) – a composite single-figure indicator of manufacturing performance – edged down from 53.6 in April to 53.0 in May, signalling a softer but still moderate improvement in the health of the manufacturing sector. The latest increase extended the current sequence of expansion to four months and highlighted a sustained turnaround for the Japanese manufacturing throughout 2021 following COVID-19 related disruption last year.

Latest data pointed to manufacturing output increasing for a fourth consecutive month. The pace of growth softened from the previous survey period, but was still solid overall amid reports of improved demand conditions as firms adjusted to operating under COVID-19 restrictions.

New orders among Japanese manufacturers also rose further. The overall pace of expansion dipped in comparison to April, and was only modest overall. Respondents linked higher sales to greater client confidence for tools and machinery. Moreover, foreign demand for Japanese manufactured goods remained in expansion territory in May, with firms citing stronger demand in key markets, notably in China.

The Japanese manufacturing sector was boosted by a second successive rise in employment levels in May, with firms taking on additional personnel in response to greater output requirements. Indications of greater pressure on capacity rose, as backlogs of work increased for the third time in as many months, though the pace of

*continued...*

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sa, >50 = improvement since previous month



Sources: au Jibun Bank, IHS Markit.

#### Comment

Commenting on the latest survey results, Usamah Bhatti, Economist at IHS Markit, said:

*"May data marked a sustained improvement in the health of the Japanese manufacturing sector, as the latest Manufacturing PMI painted a different picture to 12 months ago. A continued recovery from pandemic-related disruption has now extended to four months."*

*"Japanese firms recorded further increases in both output and new orders in May, as businesses reported improved demand, notably in external markets. New export orders rose at a solid pace in May, driven by sustained growth in key markets such as China."*

*"Sustained increases in production and total sales encouraged businesses to raise workforce numbers for the second successive month in the latest survey period. At the same time, firms noted an further intensification of price pressures, with input prices rising at the fastest pace for 31 months."*

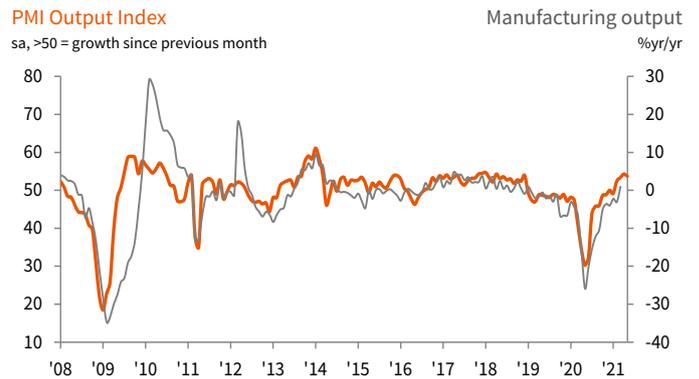
*"Japanese goods producers remained optimistic in the year ahead outlook for activity. Firms were hopeful that the pandemic would subside and induce a broad recovery in demand across the sector. IHS Markit estimates that industrial production will rise by 8.8% in 2021."*

growth eased from April.

At the same time, Japanese goods producers indicated a quicker expansion in purchasing activity in May, with the respective seasonally adjusted Index reading at the highest level since February 2014. Firms linked additional input buying to growing output requirements and new orders. That said, average vendor performance deteriorated further in May, as manufacturers indicated that raw material shortages meant lead times extended further. As a result, holdings of pre-production goods were raised for the first time since March 2019 to guard against delivery delays, while panellists noted that existing orders were completed using stocks of finished goods where possible.

May data signalled further rises in average cost burdens among Japanese manufacturers. The pace of input cost inflation remained rapid overall, and reached the fastest pace since October 2018. Respondents commonly attributed higher input costs to widespread rises in raw material prices. These were partially passed on to clients through higher factory gate charges, which rose only modestly in comparison.

Looking ahead, business optimism rose at Japanese goods producers, as firms continued to forecast a rise in output in the coming year. Manufacturers predicted that a wider economic recovery from the pandemic would boost demand.



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### Methodology

The au Jibun Bank Japan Manufacturing PMI® is compiled by IHS Markit from responses to monthly questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

May 2021 data were collected 12-21 May.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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The au Jibun Bank provides unique services such as "Smartphone ATM", a service allowing to deposit and withdraw money from teller machine without cash card by just scanning a QR code shown on the smartphone app, and "AI Foreign Currency Forecast", a foreign currency trading support tool that predict the rise of foreign exchange rate based on past trend deep learned by an AI (artificial intelligence).

As a member of the "au Financial Group", au Jibun Bank aims to play a major role in providing comprehensive smartphone-centric banking services in line with the "Smart Money Concept" and enhance customer experience.

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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)